

2(H) GUIDE TO INVESTMENT AND FINANCE

of profits which may safely be distributed in the form of dividend.

It is evident, accordingly, that if transfers of stocks and shares were accepted and recorded by a company—in other words, if changes of ownership of the stocks and shares were registered in the books—during this interval of exceptional work, the chances also of occasional error would be gravely multiplied in the issue of the cheques. A cheque for dividend, for example, might have been signed in favour of the person whose name appeared on the register. A transfer is sent in : the first name has to be expunged from the books and the purchaser's name substituted; the cheque already drawn might fail inadvertently to be cancelled, and a fresh one prepared for the new owner. Hence it is the recognised and justified practice of companies to close (or shut, as it is sometimes called) the transfer registers against fresh entries while the process of balancing and preparation is proceeding. The consequence is, that the person whose name as owner of the stocks or shares appeared on the register before the books were thus closed remains on the register as the continuing owner while the closing of the books lasts, even although he has disposed of his holding during that interval. [For the new owner's title is not perfected by registration of the transfer until the books have been reopened.] The company thus virtually announces as regards this interval:—"As to the ownership of the present dividend just declared, or about to be declared, we express no judgment; we shall send the cheque to the person whose name was on our books as the owner when the books were closed, and while they remained closed for the settlement and payment of the dividend; he is the only person we can recognise, for we know nothing of any fresh transferee until his transfer is produced, and this cannot occur until our books are reopened; the settlement therefore of the question as to whom—the seller or the buyer—the amount of the cheque actually belongs, must be arranged elsewhere than by ourselves."

Here, then, the rule of the Stock

Exchange applies for the purpose of preventing confusion and contention between the buyer and seller upon this point. Rule 91 (which for con-